



J. TYLER McCaULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 4, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **ECONOMIC AND EMPLOYMENT DEVELOPMENT CENTER
CONTRACT – REFUGEE EMPLOYMENT PROGRAM**

We have conducted a program and fiscal contract review of Economic & Employment Development Center (EEDC or Agency), a Refugee Employment Program (REP or Program) service provider. The review was conducted by the Auditor-Controller's Countywide Contract Monitoring Division.

Background

The Department of Public Social Services (DPSS) contracts with EEDC, a private, non-profit, community-based organization to provide job-training and employment services to refugees who have resided in the United States for less than five years. The Agency's services include providing language, vocational and on-the-job work training and job seeking skills, assisting participants in retaining employment and paying for work related expenses such as transportation and union dues. The Agency serves residents of the First, Third and Fifth Districts.

DPSS pays EEDC a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year (FY) 2004-05, DPSS paid EEDC approximately \$144,000 and \$180,000 for FY 2005-06.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether EEDC complied with its contract terms and appropriately accounted for and spent program funds on allowable and reasonable expenditures. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Overall, EEDC provided services required by the County contract using the appropriate number of staff who possessed the qualifications required by the County contract. The program participants stated that the services they received from EEDC generally met their expectations. In addition, EEDC appropriately accounted program funds in accordance with the program requirements.

The Agency did not refer six program participants to DPSS for mandatory non-compliance action when the six participants failed to comply with the program requirements. The Agency stated that due to an oversight the participants were not referred to DPSS.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

On April 4, 2006, we discussed our report with EEDC's management. In their attached response, EEDC's management indicates general agreement with the report. We also notified DPSS of the results of our review.

We thank EEDC for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Bryce Yokomizo, Director, Department of Public Social Services
Vieng Mathouchan, Acting Executive Director, Economic & Employment
Development Center
Public Information Office
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM
ECONOMIC AND EMPLOYMENT DEVELOPMENT CENTER
FISCAL YEAR 2005-2006**

ELIGIBILITY

Objective

Determine whether Economic and Employment Development Center (EEDC or Agency) provided services to individuals that meet the eligibility requirements of the Refugee Employment Program (REP or Program).

Verification

We selected a sample of 97 (100%) program participants that received services during July, August and September 2005 and reviewed their case files for documentation to confirm the participant's eligibility for program services.

Results

Overall, EEDC maintained appropriate documentation to support the participant's eligibility. In addition, for 91 (94%) of the 97 participant case records reviewed, the Agency appropriately provided services to the program participants.

For the six remaining program participants, the Agency did not refer the participants to the Department of Public Social Services (DPSS) for mandatory non-compliance action (e.g., sanctions). According to the County contract, if a participant fails to comply with the program requirements after 30 days, the Agency should refer the participant for mandatory non-compliance action. The Agency stated that this was due to an oversight and subsequently referred the participants for non-compliance action.

Recommendation

1. **EEDC management ensure the participant is referred timely for mandatory non-compliance action.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether EEDC provided the services billed in accordance with their contract and the program participants actually received those services.

Verification

We reviewed the documentation contained in 97 (100%) program participant case files that received services in July, August and September 2005. We also interviewed 33 (34%) of 97 program participants. Our sample represented \$44,398 (100%) that EEDC billed DPSS for July, August and September 2005.

Results

EEDC provided employment services to the participants in accordance with their contract. In addition, the program participants interviewed stated that the services they received from EEDC met their expectations.

Recommendation

There are no recommendations for this section.

SERVICE/STAFFING LEVELS**Objectives**

Determine whether EEDC's actual service and staffing levels did not significantly vary from planned levels.

Verification

We reviewed billing statements for July, August and September 2005 and compared them to EEDC's proposed service levels for the same periods. In addition, we interviewed 5 EEDC staff and reviewed EEDC's employee rosters.

Results

EEDC reported service levels decrease by approximately 45% due to a reduction in the number of participants referred to the Agency by DPSS. The Agency's actual staffing levels of approximately 3.0 full time equivalent staff remained at the planned level. The Agency indicated that the staffing levels are monitored and if the changes in the service levels consistently remain low they will adjust their staffing level proportionately. Although staffing levels did not decreased in proportion to the service levels, the overall effect does not impact the level of services provided by the Agency or the corresponding rates charged.

Recommendation

There are no recommendations for this section.

STAFFING QUALIFICATIONS**Objective**

Determine whether EEDC's staff possessed the qualifications required by the contract.

Verification

We reviewed the personnel files of all 5 full time staff for documentation to confirm the staff's qualifications.

Results

Each staff sampled possessed the required employment eligibility verification, training, reading, writing and speaking requirements identified in the contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUES**Objective**

Determine whether cash receipts are properly recorded in the contractor's records and deposited timely in the contractor's bank account. Determine whether bank reconciliations are properly prepared and reconciling items are valid and cleared in a timely manner. In addition, determine whether there are adequate controls over cash and the Agency is reporting all revenue sources as required.

Verification

We reviewed copies of the bank reconciliations prepared by the Agency for September 2005 and reviewed financial records to verify that the cash receipts are properly recorded and deposited timely. We also reviewed EEDC's cash and revenue procedures.

Results

EEDC properly recorded and deposited cash receipts timely in the Agency's bank account. EEDC also performed monthly bank reconciliations and the reconciling items appeared valid and were cleared in a timely manner. EEDC did not obtain other sources of funds.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine the reasonableness and appropriateness of expenditures and ensure they are allowable under regulations governing the contract and properly classified. In addition, determine whether non-personnel expenditures are supported by appropriate documentation.

Verification

We interviewed Agency personnel, reviewed financial records, and tested six non-personnel expenditure transactions, totaling \$3,086 to verify whether the expenses were reasonable and appropriate, allowable, properly classified, and supported by documentation.

Results

EEDC's expenses were reasonable and appropriate, allowable, properly classified and supported by documentation as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed Contractor's policies and procedures manuals, and tested transactions in various areas such as expenditures, payroll and personnel.

Results

EEDC maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations in this section.

FIXED ASSETS**Objective**

Determine whether EEDC's fixed assets purchased with program funds are used for the program and that the assets are safeguarded.

Results

We did not perform test work in this area. EEDC did not purchase fixed assets with REP program funds.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses for five employees in September 2005 totaling \$2,468 to the payroll records. We also reviewed all personnel files to ensure that all required information was maintained and current.

Results

The salaries paid to the program staff were sufficiently documented and appropriately charged to the program. In addition, EEDC maintained personnel files in accordance with the County contract.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether EEDC's Cost Allocation Plan (CAP) is appropriate and reasonable, prepared in compliance with the County contract, and applied appropriately to program costs.

Verification

We reviewed EEDC's CAP to performed testwork on payroll and expenditure records to verify that the costs were allocated appropriately based on the cost allocation plan.

Results

EEDC's CAP was in compliance with the County contract and the Agency appropriately applied the CAP to allocate shared costs.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We reviewed the most current monitoring report issued to the Agency. In addition, we reviewed the Agency's corrective action plan and financial records to ensure that the findings are resolved and recommendations are implemented.

Results

The prior monitoring report contained six recommendations. EEDC implemented the six recommendations.



ECONOMIC AND EMPLOYMENT DEVELOPMENT CENTER

A Non-Profit Organization

2200 W. Valley Blvd., Unit A - Alhambra, CA 91803

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April 4th, 2006

J. Tyler McCauley
Los Angeles County Auditor-Controller
500 W Temple, Room 525
Los Angeles, CA 90012

Dear Mr. McCauley:

Contract Review Response

We have reviewed the report issued by your Department and are in general agreement with the findings and recommendations.

Please call me if you have any questions at (626) 281-3792

Sincerely,

A handwritten signature in black ink, which appears to read "Vieng Mathouchan", is written over a horizontal line.

Vieng Mathouchan
Acting Executive Director
Economic and Employment Development Center